

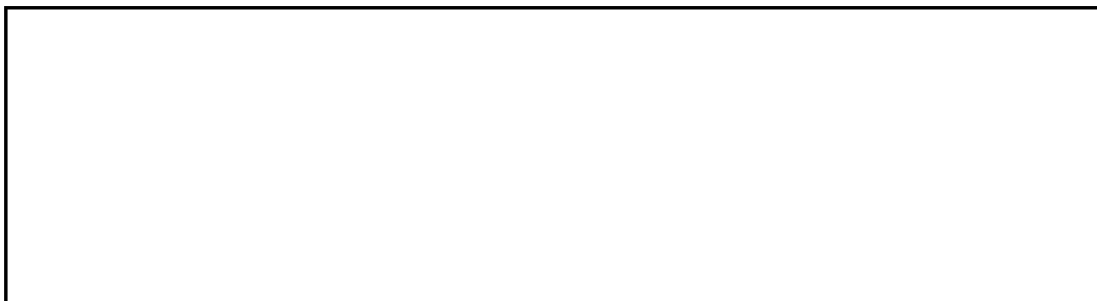
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Approved For Release 2005/04/19 : CIA-RDP86T00608R000400130032-0

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EC Pushing Ahead on Developing Common Policy
on Raw Materials

The European Community is accelerating its development of a common policy on raw materials. The EC Nine face the problem of reconciling the demands of developing states for higher and more stable prices, with their own need for secure access to raw materials. The EC's policy has barely begun to take shape but there is an underlying attitude to take seriously at least some of the demands.

Since the collapse last month of the preparatory conference of oil-producing and consuming states, most major industrial nations now concede that they must accept as a political reality the link between raw materials and energy made by the developing and oil-producing states. The industrialized states are looking for ways to regain the initiative by making proposals which recognize some of their fundamental demands.

The OECD is scheduled to hold an important ministerial meeting this month which will bring together most industrialized importers of raw materials to discuss strategy for next September's special session of the UN on economic development. The EC Commission does not expect to finish work on a coordinated policy by the end of the month but hopes that the community can agree on general guidelines.

A study group is examining several approaches to the resource problem:

--Processing of more raw materials in producer countries;

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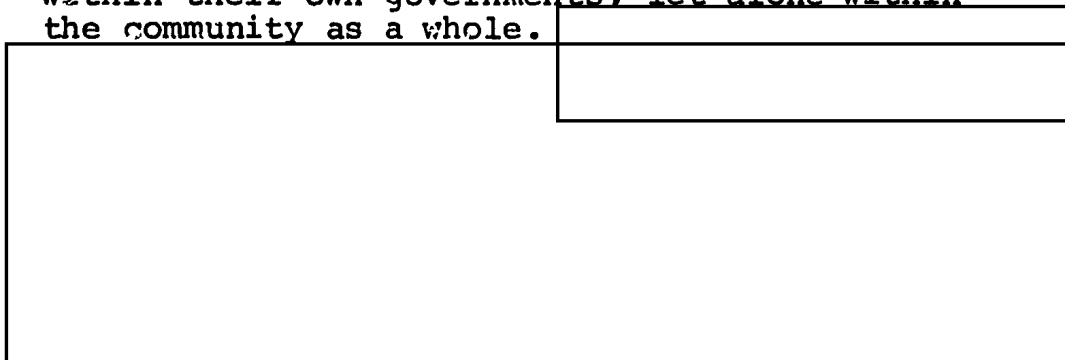
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- Linking the prices of raw materials to the prices of manufactured goods;
- Long-term commodity agreements for food-stuffs;
- Establishment of international buffer stocks of some commodities to dampen price fluctuations; and
- Extension on a world-wide basis of agreements to stabilize earnings of developing states from their exports of raw materials patterned after the Lome Convention, which links the EC and 46 developing states.

An early decision is unlikely. One EC official admits that the Commission itself has not yet decided on what policies to push for. It will await detailed product-by-product studies before making final proposals.

25X1 The review of raw materials policy now underway in West Germany underscores the importance that the EC members attach to the resource problem. It also demonstrates the difficulties the industrialized states face in reconciling differences within their own governments, let alone within the community as a whole.



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The UK is currently meeting in Jamaica with 33 Commonwealth states to try to gain support for London's new proposals on the problem of raw

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materials. The British are offering to compromise on some points and hope that a positive response by the less radical developing states among the Commonwealth members will set the stage for broader and constructive talks at the UN.

The preliminary reaction of the developing states attending the commonwealth meeting has not been encouraging. The Guyanese Prime Minister bitterly rejected the proposals as "reformist rather than revolutionary." The Guyanese thus seemed to be voicing the hard line taken by radical developing states such as Algeria. He also called for a shift in the terms of trade in favor of developing states and restructuring international economic and financial institutions to allow the developing states a greater voice.

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Finnish Party Leader to Resign

Rafael Paasio, chairman of the Social Democratic Party since 1963, ended several months' speculation on May 1 by announcing that he will not stand for reelection at the party congress next month.

Paasio's decision implies that party moderates have succeeded in back-room politicking in blocking a bid by the radical leftwing to nominate the next secretary general, the number-two party position. When congress delegates were selected last February, the 71-year old Paasio was said to be ready to resign in June only if his presumed successor, Prime Minister Sorsa, who is also the current secretary general, could be persuaded to keep the number-two job out of the hands of the leftists.

Paasio's resignation decision is unrelated to the government's current difficulties. The coalition is expected to fall any day now because of a dispute between the Social Democrats and the Center Party over the government's program. New elections are likely in August or September.

In the elections of party delegates last winter, the Paasio-Sorsa moderates and the radical leftwing outdistanced the conservative faction. Leftwing gains raised the spectre that the left would push for representation at the party apex and try to color the drafting of the new party program. The moderates and the rightists retained more than enough strength to block these moves, but it has not been clear until now if they had the will to use it.

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Communist, Non-Communist Rivalry Steps Up
in Portugal

The May Day celebration in Portugal yesterday brought an upsurge in party rivalry as the Communists sought to offset the moderate parties' election victory last week with a massive show of labor support.

The Communist-dominated labor confederation sponsored a May Day rally in Lisbon, but refused to allow the center-left Popular Democrats to participate, saying that they did not represent the workers.

The Popular Democrats, who came in second in the election last week, staged a counter-march outside the stadium where the rally was held, but dispersed when extremists challenged them.

At the rally, which was attended by the top military policy-makers, Communists and Socialists engaged in a shouting match that interrupted a speech by Prime Minister Goncalves. Tension between the two parties has increased rapidly since the election.

Early this week, Socialist Party leader Soares observed that the Communists had suffered an "immense defeat" and that it was obvious they did not have the support of the Portuguese people.

The Communist weekly yesterday responded, accusing Soares of waging an anti-Communist campaign and encouraging the leaders of the Armed Forces Movement to make clear that they do not want the brand of socialism of the Portuguese Socialist Party.

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May Day was chosen by the ruling Revolutionary Council to promulgate the unitary labor law. The Socialist Party had opposed placing Portuguese labor under a single, nationwide confederation--the Communist-dominated Intersyndical--but had long since given up hope of blocking the move.

The Socialists have concentrated on developing labor support in the hope of ousting Communist officials in union elections called for in the draft legislation.

Radical officers in the Armed Forces Movement were apparently making a last-minute effort to modify the law so as to favor the Communists, probably by rewriting the section providing for elections.

Such a development would be a blow to the Socialists who expect to do well in the union balloting. It is not clear from early reports on the promulgation of the law whether the radical officers were successful in making modifications.

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EC-Israeli Trade Agreement Hits a Snag

The preferential trade agreement between the EC and Israel, scheduled to enter into force on July 1, could be delayed if Italy continues to oppose removing some of the restrictions on community imports of Mediterranean agricultural products.

Italian objections to easing EC tariffs on citrus products, which Rome may be linking to demands for higher EC agricultural subsidies for Italy, threaten to postpone signature of the accord until late May. Rome may also not want to approve any concessions for competitive Mediterranean products before the Italian provincial elections next June.

If agreement is delayed beyond May, Israeli officials doubt that ratification of the agreement can be assured in time for it to enter into force on July 1. Israel needs assurances of EC preferences well in advance of September in order to derive maximum benefit during the fall marketing period.

There is also an informal linkage between concessions for Israel and EC agreements now being negotiated with the Maghreb states. The Italian objections could snag these talks as well, and the Israelis fear the community might then be less willing to move ahead first with Tel Aviv.

The Israelis feel they still have French support for the July 1 target date. Paris, of course, also wants to conclude the negotiations with the Maghreb countries. Several EC states, led by West Germany, have consistently resisted providing the Italians with any further compensation for concessions made in the EC-Mediterranean accords.

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